

Search EIA
by Google:

Page Links

[Background](#)[Oil](#)[Natural Gas](#)[Coal](#)[Electricity](#)[Profile](#)[Links](#)[Mailing Lists](#)
[Printer-Friendly Version](#), [PDF Version](#), [PDA Version](#)

December 2000

Belarus

Belarus is gaining importance as a major transit point for Russian energy exports to Western Europe. In particular, Belarus is slated to double its transit of Russian gas to customers in Western Europe.

Information contained in this report is the best available as of December 2000 and is subject to change.



GENERAL BACKGROUND

Alyaksandr Lukashenko was elected President of Belarus in 1994 on a populist message, and in 1995 he launched the country on the path of "market socialism," re-imposing administrative controls over prices and currency exchange rates, and expanding the state's right to intervene in the management of private enterprise. Since becoming independent from the Soviet Union in 1991, Belarus has seen little structural reform, and the International Monetary Fund (IMF) stopped lending to Belarus in 1996. Lukashenko's authoritarian policies and refusal to liberalize the economy have led to the country's isolation from the West. Only a few small businesses have been privatized, and there is little foreign investment in any sector of the Belarus economy because of the poor investment climate, as well as the highest inflation (projected at 110% for 2000) in the Commonwealth of Independent States (CIS).

Nevertheless, Belarus has maintained a very close relationship with [Russia](#), and only now is recovering from the effects of Russia's August

1998 financial crisis. Belarussian real GDP is projected to grow 5.3% in 2000, and inflation, while still very high, has come down from 251% in 1999. In addition, industrial production expanded 8.3% in the first 11 months of 2000 and agricultural production, which suffered two consecutive bad harvests in 1998-1999, rebounded in 2000 to rise 8.4% between January and November 2000.

In the energy sector, Belarus is highly reliant on imports, with 88% of its total energy consumption coming from foreign sources. Most of this is in the form of natural gas from Russia. In 1999, energy exports from Russia to Belarus rose 117%, representing the biggest growth for Russian energy exports to CIS countries.

OIL

Oil production in Belarus is minimal, although the country actually has experienced an increase in production since

the demise of the Soviet Union. In 2000, Belarus produced 41,660 barrels per day (bbl/d) of oil, up from 36,000 bbl/d in 1996 and just above the 40,000 bbl/d produced in 1992. Belarus has proven reserves of 198 million barrels. Belarusnafta, the state-owned oil production monopoly, estimates that active oil deposits may last for 18 years, with more difficult deposits (e.g. those with a water content of over 80% or with high viscosity) lasting for 34 years, taking into account the company's plan for oil extraction will remain around 40,000 bbl/d. Belarus also jointly owns the oil company Slavneft with Russia.

On November 23, 2000, Belarussian Prime Minister Uladzimir Yarmoshyn announced that the Belarussian government plans to receive licenses for oil exploration and production in Russia. According to Yarmoshyn, the Belarussian government signed an agreement, to which Russian Prime Minister Mikhail Kasyanov also gave his initial assent, with the Nenets Autonomous Area. The oil produced is to be delivered to Belarussian refineries, with the processed products to be sold both in and outside of Belarus.

Belarus's oil consumption is more than quadruple its oil production, despite a 50% reduction in the country's oil consumption in the past eight years. Since 1992, Belarus's oil consumption has dropped dramatically, from 375,000 bbl/d to just 188,000 bbl/d in 2000. Still, Belarus must import 75% of its oil, almost all of which comes from Russia.

Transit of Russian Oil via Belarus

The northern branch of Russia's Druzhba oil export pipeline goes through Belarus on its way to the oil terminal in Ventspils, [Latvia](#), as well as to [Poland](#) and [Germany](#). Oil exported from Russia via Belarus (approximately 50% of Russia's net oil exports go through Belarus) is not subject to export duties due to the Russian-Belarussian Union agreement, and combined with high oil prices throughout much of 2000, this contributed to a 5.3% increase in the amount of oil transported via the Druzhba oil pipeline running through Belarus in comparison to 1999.

Sergei Kalashnikov, deputy state secretary of the Russian-Belarussian Union and a member of the permanent committee of the union, has announced that Russia annually loses up to \$70 million from oil exports to Belarus since these exports are exempt from customs duties. Kalashnikov has argued that oil is processed in Belarus and is exported as a Belarussian product, and the Russian budget does not receive anything from this oil. The Russian government has not taken any action on this issue.

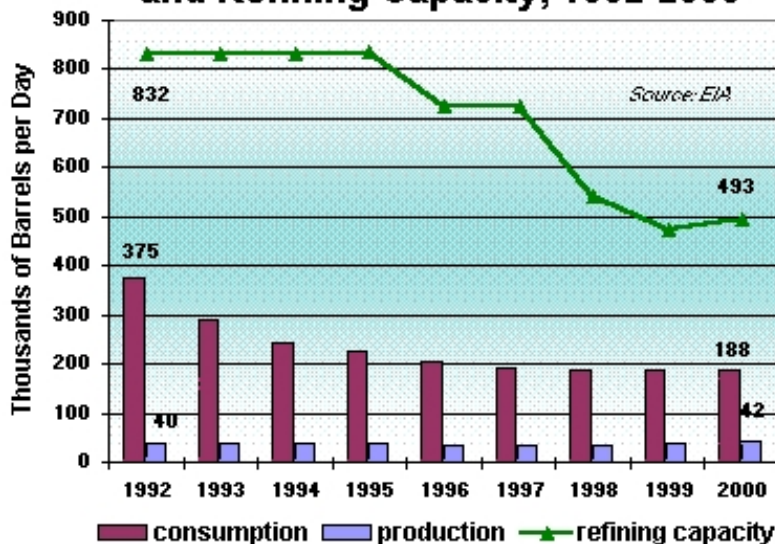
Refining

Although it lacks significant indigenous oil reserves, Belarus has a fairly large refining industry. As one of the former Soviet Union's major industrial republics, Belarus specialized in the production of machinery and equipment, and the country's industrial base, as well as its location as a transit point, meant that Belarus's refining industry's capacity far surpassed the country's domestic ability to produce oil.

In 1992, Belarus had a refining capacity of 832,000 bbl/d, more than double the country's oil consumption (375,000 bbl/d in 1992) and more than 20 times its oil production then (40,000 bbl/d). Today, as a result of a drop in domestic oil demand and the deterioration of the country's refining infrastructure, Belarus's refining capacity has fallen to 493,000 bbl/d--still far higher than the country's oil production and consumption.

Belarus has two refineries, the Naftan refinery in Navapolatsk Vitsebsk Region and the Mazyr refinery in the Homel Region. Despite high oil prices that have increased Russian oil exports, Belarussian refineries received reduced supplies from Russia during much of 2000 because the Belarussian government lacked the funds to pay Russia for oil deliveries to refineries.

Belarussian Oil Consumption, Production, and Refining Capacity, 1992-2000



In June 2000, the Belarussian government held a conference on the state of the country's refining industry. Attention focused mainly on issues of reconstruction of the two oil refineries, the necessity to improve oil processing effectiveness, the quality of oil products, and their export. Participants to the conference complained that because modernization of the refineries is being financed out of state budget resources, a shortage of public funds may prevent them from being completed in 2003 as scheduled.

As a result, Belnaftakhim, Belarus's state petrochemical monopoly, signed a \$90-million framework contract with Mitsui to revamp its Naftan refinery and increase capacity to 900,000 tons/year (180,000 bbl/d) of light petroleum products. While Belarus intends to privatize the Naftan refinery and Russian energy company Itera has expressed its willingness to take a controlling stake in the plant as payment for Belarus's gas debts, Belarussian President Alyaksandr Lukashenko has gone on record saying that "the controlling block of shares of our oil refineries will always belong to our state, and, moreover, these enterprises will always fully remain under our state's control."

In September 2000, the Mazyr refinery's management completed an agreement with the Belarussian government to carry out the fourth stage of modernization at the refinery. According to Belapan, the Belarussian state news service, once the upgraded Mazyr refinery is completed in November 2003, it will become one of the most modern oil-processing plants in the CIS.

NATURAL GAS

Belarus produces only 10 billion cubic feet (Bcf) of natural gas per year, and while the country's consumption of gas has decreased from 646 Bcf in 1992 to 545 Bcf in 1998, Belarus still is heavily reliant on natural gas imports from Russia. Due to Belarus's inadequate payment recovery from consumers, the country has built up large arrears to Russian gas supplier Gazprom. Belarus pays for 92% of its gas with supplies of material resources: farm produce is exported to Russia under barter deals to settle these arrears. Still, as of October 2000, Belarus's debt to Russia for consumed natural gas had risen by \$47 million since the start of the year, leaving its debt at approximately \$244 million.

With Belarus's economy growing in 2000, Belarussian state-run gas company Beltransgaz and the Russian gas supplier Itera signed an agreement in the fall of 2000 on the supply of an additional 1 billion cubic meters (35.3 Bcf) of gas at a price of \$30 per 1,000 cubic meters to Belarus between October and December 2000. Beltransgaz will pay for 20% of supplied gas in cash, and the rest with Belarussian goods.

Despite Belarus's debt to Russia for gas supplies, Beltransgaz announced on November 15, 2000, that Gazprom will maintain the current low price of \$30 per 1,000 cubic meters (3,530 cubic feet) of gas for Belarus in 2001. In comparison, Russia charges [Ukraine](#) \$50 per 1,000 cubic meters and [Lithuania](#) \$76 per 1,000 cubic meters of gas.

Transit of Russian Gas via Belarus

Russia charges Belarus lower prices for gas since Russia receives reduced tariff rates for its gas that transits Belarus to customers in Western Europe. The transit tariff on Russian gas in Belarus is one-third of the tariff in other countries, where it is approximately \$1.75 dollars for transportation of 1,000 cubic meters (3,530 cubic feet) for 100 kilometers (60 miles). According to Petr Petukh, general director of Beltransgaz, Belarus currently pays for 13% of Russian gas supplies with the income from transit, and by 2005 this share will reach 15%, of \$80 million.

Beltransgaz currently operates 3,780 miles of gas pipelines in Belarus. More than 25 billion cubic meters (883 Bcf) of Russian gas will be delivered via Belarus territory (mainly to customers in Western Europe) by the end of 2000, and in 2001 gas transit volumes will grow to 28 billion cubic meters (988 Bcf). In addition, the second extension of the Yamal-Western Europe pipeline, which will be built from Smolensk to Njasvizh, will become operational in the first half of 2001, allowing Belarus's transit capacity to increase further.

The first leg of the Yamal-Western Europe pipeline pumped 9.7 billion cubic meters (342 Bcf) of gas in the first nine months of 2000. Beltransgaz has said that the Belarussian gas transportation system is developing so that when the second and third extensions of the Yamal-Europe gas pipeline become operational, and new compressor stations are built, the pipeline's capacity will more than double. Construction of the Krupskaya compressor stations has already begun, and the Minsk and Orsha stations will be built within the next two to three years. By 2005, analysts say, gas transit to Europe via the transcontinental Yamal gas pipeline may exceed 30 billion cubic meters (1.06 trillion cubic feet).

Additionally, Gazprom announced in October 2000 plans to run a [new pipeline from its northern Yamal gas field to Western Europe, transecting Belarus, Poland, and Slovakia, and bypassing Ukraine](#), which it accuses of stealing

gas from the existing pipeline. Belarussian Prime Minister Uladzimir Yarmoshyn said on November 24, 2000, that the building of a new natural gas pipeline that would link the Belarussian town of Kobryn to Poland and Slovakia "will not lower the volume of gas pumped via Ukraine." Beltransgaz has stated that the proposed pipeline does not need to be very long--only 336 miles, 42 miles of which would go through Belarus. The cost of the Belarussian section of the proposed pipeline is put at approximately \$70 million.

COAL

Belarus does not produce any coal. In addition, the country's coal consumption has declined by 66% since the fall of the Soviet Union, from 2.05 million metric tons (Mmst) consumed in 1992 to just 0.69 Mmst consumed in 1998.

ELECTRICITY

Belarus has a power-generating capacity of 7 gigawatts. In 1992, Belarus generated 35.3 billion kilowatt-hours (Bkwh) of electricity, but by 1998, that figure had plummeted 38% -- to 21.9 Bkwh -- due to decaying infrastructure, a lack of investment in maintenance and upgrades, and a decline in domestic demand. Of this 21.9 Bkwh, natural gas-fired power plants accounted for 71%, with oil-fired plants accounting for 29%, and hydropower plants just 0.1%.

Electricity consumption in Belarus has also slipped during the 1990s, dropping 27% from 1992 to 1998. In 1998, Belarus consumed 28.7 Bkwh of electricity compared to its 1992 level of 39.3 Bkwh. The Belarussian government has attempted to reduce consumption further by implementing incremental price increases, but fears of accelerating inflation have slowed the implementation of tariff reform to cover the costs of power generation, and price rises have been consistently outstripped by inflation. As a result, the country's electricity consumption still exceeds its production, forcing Belarus to import nearly 25% of its power needs.

Belarus has looked mainly to Lithuania to supplement its electricity needs. Belarus still owes Lithuania around \$56 million for electricity supplied in 1998 and 1999, but after a one-year break, Lithuania agreed in May 2000 to supply Belarus with electricity again after concluding an unusual three-way agreement with Russia and Belarus. Under the agreement, the Russian company Energiya agreed to purchase 2.2 Bkwh of electricity generated at Lithuania's Ignalina nuclear plant for subsequent delivery to Belarus. Energiya will pay for the electricity with nuclear fuel for the Ignalina plant while Belarus supplies Russia with commodities as payment.

Lithuania resumed the export of electricity to Belarus in July 2000, selling Belarus around 500 million kilowatt-hours of electricity during the July-September period. Although Lietuvos Energija (Lithuanian Energy), the national power utility, temporarily halted electricity exports in October due to a lack of payment guarantees, the contract was slightly revised and Lithuania resumed electricity deliveries to Belarus.

Belarus's shortage of electricity sources has forced the Belarussian government to try to resolve the problem by conducting joint projects with Russia. One of these projects envisages the construction of underground nuclear power stations, each of which has a 250-megawatt power-generating capacity. The Union of Russia and Belarus Executive Council is examining a draft program for the project, which, if approved, will mean that five underground power stations will be built in Belarus (locations to be decided) and two in Russia (in the Kola Peninsula and in Maritime Territory) between 2001 and 2005.

In addition, Belarus is hoping to benefit as a transit country for [Russian electricity being exported to Europe](#). In October 2000, Russia began exporting about 1.5 million kilowatt-hours per day along the Ross (Belarus)-Belostok (Poland) power cable. Although the contract to export electricity to Poland and Germany runs only through the end of December 2000, Russia intends to increase export of electricity in 2001, and Belarus is hoping to benefit with transit tariffs in its role as a transit point, as well as potentially import some electricity for its own consumption.

Nuclear

Belarus has no nuclear power plants, and shortly after independence the government declared the state a "nuclear-free zone." The country does import nuclear-generated electricity from the Ignalina power plant in Lithuania. In addition, due to the prevailing northern winds on the day of the 1986 Chernobyl nuclear accident in neighboring Ukraine, nearly one-third of Belarus's agricultural land has been unusable since it was contaminated by fallout from the accident.

COUNTRY OVERVIEW

President: Alyaksandr R. Lukashenko (since 1994)

Prime Minister: Uladzimir Yarmoshyn

Independence: August 25, 1991 (from Soviet Union)

National Holiday: Independence Day: July 3, 1944 (represents Minsk liberation from German occupation)
Population (7/00E): 10.4 million
Location/Size: Eastern Europe, east of Poland; 207,600 square kilometers, slightly smaller than Kansas
Major Cities: Minsk (capital), Vitsebsk, Brest
Languages: Byelorussian, Russian, other
Major Ethnic Groups: Byelorussian 77.9%, Russian 13.2%, Polish 4.1%, Ukrainian 2.9%, other 1.9%
Religion: Eastern Orthodox 80%, other (including Roman Catholic, Protestant, Jewish, and Muslim) 20%

ECONOMIC OVERVIEW

Minister of Economy: Vladzimir Shimau
Minister of Finance: Nikolai Korbut
Currency: Belarussian ruble (BR)
Market Exchange Rate (12/20/2000): US\$1 = 1,200 Belarussian rubles (estimated)
Nominal Gross Domestic Product (GDP) (2000E): \$8.9 billion; **(2001E):** \$6.9 billion
Real GDP Growth Rate (2000E): 5.3%; **(2001E):** 2.2%
Inflation Rate (Consumer Prices) (2000E): 108%; **(2001E):** 60%
Unemployment Rate (official) (2000E): 2.1%; **(2001E):** 2.2%
Current Account Balance (2000E): -\$460 million; **(2001E):** -\$361 million
Major Trading Partners: Russia, Ukraine, Poland, Germany, Lithuania
Merchandise Exports (2000E): \$7.73 billion; **(2001E):** \$8.12 billion
Merchandise Imports (2000E): \$8.64 billion; **(2001E):** \$9.03 billion
Merchandise Trade Balance (2000E): -\$910 million; **(2001E):** -\$910 million
Major Export Products: Machinery and equipment, chemicals, metals, textiles, foodstuffs
Major Import Products: Mineral products, machinery and equipment, metals, chemicals, foodstuffs
Foreign Exchange Reserves (2000E): \$305 million
External Debt (2000E): \$850 million

ENERGY OVERVIEW

Proven Oil Reserves (1/1/2000E): 198 million barrels
Oil Production (2000E): 41,660 barrels per day (bbl/d)
Oil Consumption (2000E): 188,000 bbl/d
Net Oil Imports (2000E): 146,340 bbl/d
Refining Capacity (1/1/2000E): 493,000 bbl/d
Natural Gas Reserves (1/1/2000E): 100 billion cubic feet (Bcf)
Natural Gas Consumption (1998E): 545 Bcf
Net Natural Gas Imports (1998E): 535 Bcf
Natural Gas Production (1998E): 10 Bcf
Proven Coal Reserves (1/1/99E): None
Coal Consumption (1998E): 0.69 million short tons (Mmst)
Coal Production (1998E): none
Electricity Generation Capacity (1998E): 7 gigawatts
Electricity Generation (1998E): 21.9 billion kilowatt-hours (Bkwh)
Electricity Consumption (1998E): 28.7 Bkwh

ENVIRONMENTAL OVERVIEW

Minister of Natural Resources and Environmental Protection: Mikhail Rusyy
Energy-Related Carbon Emissions (1998E): 16.1 million metric tons of carbon (0.25% of world carbon emissions)
Per Capita Carbon Emissions (1998E): 1.5 metric tons of carbon (vs U.S. value of 5.5 metric tons of carbon)
Status in Climate Change Negotiations: Annex I country under the United Nations Framework Convention on Climate Change (ratified May 11, 2000). Not a signatory to the Kyoto Protocol.
Major Environmental Issues: soil pollution from pesticide use; southern part of the country contaminated with fallout from 1986 nuclear reactor accident at Chornobyl in northern Ukraine
Major International Environmental Agreements: A party to Air Pollution, Air Pollution-Nitrogen Oxides, Air Pollution-Sulphur 85, Biodiversity, Endangered Species, Environmental Modification, Hazardous Wastes, Marine Dumping, Nuclear Test Ban, Ozone Layer Protection, Ship Pollution, Wetlands. Has signed, but not ratified: Law of the Sea

* The total energy consumption statistic includes petroleum, dry natural gas, coal, net hydro, nuclear, geothermal, solar and wind electric power. The renewable energy consumption statistic is based on International Energy Agency (IEA) data and includes hydropower, solar, wind, tide, geothermal, solid biomass and animal products, biomass gas and liquids, industrial and municipal wastes. Sectoral shares of energy consumption and carbon

emissions are also based on IEA data.

**GDP based on EIA International Energy Annual 1998.

ENERGY INDUSTRY

Organization: *Belarusnafta*, the country's state-owned oil production monopoly; *Belnaftakhim*, Belarus's state petrochemical monopoly; *Beltransgaz*, the state-owned gas supply and transport company; *Belenergo*, the state company charged with transmitting and distributing electricity throughout the country.

Refineries: Naftan, Mazyr

Transit Pipelines: Druzhba (oil, from Russia); Northern Lights (gas, from Russia); Yamal (gas, from Russia)

Sources for this report include: CIA World Factbook, U.S. Department of Commerce's Business Information Services for the Newly Independent States, Energy Information Administration, Interfax Weekly Petroleum Report, Interfax Weekly Business Report, PlanEcon, Radio Free Europe/Radio Liberty, U.S. Department of State, WEFA Eurasian Economic Outlook, as well as Eastern Bloc research and news reports.

Links

For more information from EIA on Belarus, please see:

[EIA - Country Information on Belarus](#)

Links to other U.S. government sites:

[2000 CIA World Factbook - Belarus](#)

[U.S. Department of Commerce Business Information Service for the Newly Independent States \(BISNIS\): Belarus](#)

[U.S. International Trade Administration, Energy Division](#)

[U.S. Department of Commerce Country Commercial Guide: Belarus](#)

[U.S. Department of Commerce Trade Compliance Center: Market Access Information](#)

[U.S. Department of State Background Notes: Belarus](#)

[U.S. Department of State - Belarus Consular Information Sheet](#)

[Library of Congress Country Study on the former Soviet Union](#)

[U.S. Embassy in Belarus](#)

The following links are provided solely as a service to our customers, and therefore should not be construed as advocating or reflecting any position of the Energy Information Administration (EIA) or the United States Government. In addition, EIA does not guarantee the content or accuracy of any information presented in linked sites.

[Embassy of the Republic of Belarus in the U.S.](#)

[United Nations Framework Convention on Climate Change and the Kyoto Protocol](#)

[Interfax News Agency](#)

[University of Texas - Russian and East European Network Information Center](#)

[Lonely Planet World Guide: Destination Belarus](#)

[PlanEcon](#)

If you liked this Country Analysis Brief or any of our many other Country Analysis Briefs, you can be automatically notified via e-mail of updates. Simply click [here](#), select "Country Analysis Briefs" on the list of products, and follow the instructions. You will then be notified within an hour of any updates to our Country Analysis Briefs.

[Return to Country Analysis Briefs home page](#)

File last modified: December 28, 2000

Contact:

Lowell Feld
Lowell.Feld@eia.doe.gov
Phone: (202) 586-9502
Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/cabs/belarus.html>

If you are having technical problems with this site, please contact the EIA Webmaster at wmaster@eia.doe.gov